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Problems of German-American Relations

BY PAUL B. TAYLOR

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with the aid of the Research Staff of the Foreign Policy Association

RECENT German-American controversies have focused attention on growing friction and ill-will between the two countries. This antagonism does not arise from current disputes or from any danger of attack by one country on the other. Germany seeks expansion in eastern and south-eastern Europe—regions which Americans consider beyond the scope of their direct interests—and accordingly desires peaceful relations and trade with the United States.

American public opinion, however, has shown a striking hostility toward Germany ever since Hitler came to power in 1933.2 The blows struck by National Socialism at the cherished American doctrine of individual liberty; at Jews, trade unions, and the Catholic church; its espousal of militaristic and racial theories have awakened active dislike and resentment in the American population at large. Pressure groups resulting from Nazi policies constantly mobilize this latent opposition. Jewish organizations naturally agitate against National Socialism and lead out in a popular movement to boycott German goods. Many liberal or left-wing political groups, such as the League for Peace and Democracy, attack Naziism as their principal enemy. In the world-wide conflict of ideologies, the belief that Germany threatens American democratic institutions has been revived. The work of the Nazi party, the radio propaganda from Berlin, and the German trade drive in Latin America have convinced many Americans that a rigorous campaign of defense against German fascism is necessary in their own hemisphere. The activities of Nazi or pseudo-Nazi organizations in the United States itself have strengthened this impression.³

The outbreak of a general war would probably find the great majority of the American public

- 1. New York Times, June 21, 1938.
- 2. On the pre-war period, cf. Charles C. Tansill, America Goes to War (Boston, Little, Brown, 1938), pp. 3-15.
- 3. Cf. Herbert J. Seligmann, "The Nazi Invasion of the U.S.A.," New Republic, June 22, 1938.

predisposed to blame it on the "fascist" powers. In a poll released by the American Institute of Public Opinion on June 28, 1937, 77 per cent of the voters considered some particular nation or nations responsible for the present armament race. Of these, 80 per cent blamed anti-Comintern powers —Germany, 38 per cent; Italy, 32 per cent; Japan, 10 per cent—while 9 per cent blamed the Soviet Union. In another poll, of August 1, 1937, 77 per cent registered their belief that another world war would occur. Of these, 76 per cent thought anti-Comintern powers would probably be responsible for starting it—Germany, 30 per cent; Italy, 27 per cent; and Japan, 19 per cent-while 11 per cent blamed the Soviet Union in advance. A poll released on April 6, 1937 registered 46 per cent who believed that the United States would have to fight Germany again in their lifetime.4 Historical studies of the origins of the World War indicate, of course, that such prejudgments are often grossly unfair and mistaken. They are cited here purely as expressions of American public opinion.

American sympathy with the German demand for treaty revision, which was prevalent during the late twenties, has practically disappeared, even though large German populations remain outside the Reich. In a poll of the American Institute of Public Opinion released on July 31, 1937, 30 per cent of the voters considered the Versailles treaty "too severe" on Germany, 29 per cent considered it "about right," and 41 per cent actually thought it "too easy." Professor Friedrich Schoenemann of Berlin declared early in 1934 that the steadily growing post-war sympathy for Germany in the United States had been "wiped out" by the National So-

- 4. Releases of the American Institute of Public Opinion, appearing in the *Washington Post* and a number of other daily newspapers on the dates given. It should be pointed out that the same series of polls showed a prevailing isolationist sentiment. Cf. Paul B. Taylor, "America's Role in the Far Eastern Conflict," *Foreign Policy Reports*, February 15, 1938.
- 5. Cf. Washington Post, August 1, 1937.

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cialist revolution.⁶ The public support which the Nazi government enjoys in Britain is almost entirely lacking in the United States.

Strong feeling against the Third Reich has occasionally led to aspersions on the German state or Chancellor Hitler by American public officials. In July 1935 the German flag was torn from the bow of the steamer Bremen by demonstrators at a New York pier. Although precautions taken by police authorities freed the United States from responsibility, a magistrate in dismissing charges against several rioters used language which caused the German government to lodge a strong protest.⁷ Again, in March 1937, Mayor LaGuardia of New York made an attack on Hitler which led to bitter recriminations in the German press.8 In these cases, Secretary Hull stated his regrets, pointing out that the Constitution guarantees freedom of speech and that the offensive remarks were made by local rather than federal officials.9

The German press, while giving little space to events in America, responds to this criticism with bitter and scornful comments on American life and on the "meddlesomeness," "ignorance" and tendency of Americans to moralize regarding European affairs. It blames American hostility on the "Jewish press," the machinations of Jews in general and, since the autumn of 1937, above all on the anti-fascist policy of the Roosevelt Administration.¹⁰

The policy of the United States toward the Third Reich has followed the main trends of its general policy-which may be described as the isolationist trend from 1934 through 1936 and opposition to aggression beginning in 1937. At the same time, the Roosevelt Administration, like its predecessors, has not invoked American rights under the peace treaty with Germany which might involve this country in European political questions. This treaty,11 signed at Berlin on August 25, 1921 after a Joint Resolution of Congress had terminated the war and had broadly reserved American rights and privileges, secured to the United States the benefits specified in the joint resolution and "all the rights and advantages stipulated for the benefit of the United States in the Treaty of Versailles." This

- 6. New York Times, February 7, 1934.
- 7. State Department, Press Releases, August 3, 1935, pp. 100 ff.
- 8. Ibid., March 6, 1937, p. 133; March 20, 1937, p. 157.
- 9. Ibid., September 14, 1935, pp. 196 ff.; July 14, 1935, p. 55; cf. J. B. Moore, Digest of International Law (Washington, Government Printing Office, 1906), Vol. 2, pp. 161 ff.
- 10. Cf. for example, Albion Ross, "Germans Redraw their Picture of Uncle Sam," New York Times Magazine, May 8, 1938.

 11. Text in W. M. Malloy and others, Treaties, Conventions, International Acts, Protocols and Agreements between the United States of America and Other Powers, 1776-1923 (Washington, Government Printing Office, 1910-1923), Vol. 3, p. 2596; Treaty of Versailles, ibid., p. 3331.

country, however, assumed no obligations under the Covenant of the League of Nations, the clauses fixing Germany's boundaries, the political clauses for Europe, the clauses relating to German rights in certain other countries, or the labor clauses. The Roosevelt Administration has not protested the successive steps by which Hitler freed himself from the Treaty of Versailles. Although the State Department opposed the sale of arms to Germany by Americans in 1934, 12 it took no stand against Germany's open rearmament in 1935. 13

Following the breakdown of the disarmament conference in 1933 and 1934, the American government embarked on a new program of isolation from European affairs. Neutrality acts designed to minimize the risk of involvement in a European war were passed in 1935, 1936 and 1937. Rejecting attempts to forestall war through international collaboration, Congress sought merely to keep the United States neutral. Germans, however, promptly pointed out that the cash-and-carry provisions of the 1937 Act would work in favor of Britain. 142

In the midst of international tension created in 1937 by the growing challenge of Japan, Germany and Italy to the status quo, the Roosevelt Administration formally repudiated this "isolationist" program. Opposing Japan's attack on China with constantly increasing strength, it began a long-range campaign to win the support of American public opinion for a program of opposition to aggression throughout the world. In his policy toward the Far Eastern conflict, Secretary Hull collaborated with "other peace-seeking nations," "proceeding along parallel lines" in cases where "the problems confronted each alike."15 President Roosevelt, in his address at Chicago on October 5, made a sharp attack on aggression and called for cooperative action to suppress it. Although the United States and other powers failed to organize coercive action against Japan, the government directed increasingly severe criticism at the fascist states. In his message to Congress on January 3, 1938, the President charged that "peace is most greatly jeopardized" by countries which have dictatorial governments.¹⁶ Secretary of War Woodring attributed the present dan-

- 12. State Department, Press Releases, September 22, 1934, pp. 203-204.
- 13. Ibid., May 7, 1938, pp. 552 ff.
- 14. Cf. R. L. Buell, "The Neutrality Act of 1937," Foreign Policy Reports, October 1, 1937.
- 14a. Monatshefte für Auswärtige Politik, 1937 (Berlin), pp. 274 ff., 347, 627 ff.; Zeitschrift für Politik, 1936 (Berlin), Heft 6/7, pp. 24 ff.; 1937, pp. 33 ff.
- 15. Cf. his address at the National Press Club, March 17, 1938, New York Times, March 18, 1938.
- 16. State Department, Press Releases, January 8, 1938, p. 31.

ger of war directly to the conquests of Manchuria and Ethiopia and to Germany's repudiation of its treaty obligations.17 In these circumstances, the new plans calling for large armament increases conveyed an implied warning to the fascist nations. Although these increases were represented as a safeguard of American security rather than as a weapon to suppress aggression, American navy officials based their calculations on the total tonnage figures of Japan, Germany and Italy, implying that these countries were potential antagonists of the United States.18 The fascist governments made sharp responses to these demonstrations. In a speech at Genoa on May 14, 1938 Mussolini declared that the authoritarian states would cooperate in defending themselves against any democratic bloc.19 The Hamburger Fremdenblatt complained that America's relations with fascist states were "nothing less than a scandal," and charged the Administration with whipping up anti-fascist sentiment. Germans have generally charged that, instead of furthering international law and order, this policy merely strengthens a European coalition which is bent on perpetuating the injustices of the peace treaties.²⁰

The United States did not, apparently, protest Hitler's seizure of Austria on March 12, 1938. On April 6, after the Austrian Minister had closed the legation, Mr. Hugh R. Wilson, American Ambassador to Berlin notified the German government that the American legation in Vienna would be closed and a Consulate-General established. In a second note, he declared that the United States would look to the German government for the discharge of the Austrian government's financial obligations to the United States and for the continuance of service on the Austrian debts to American citizens.21 His decision not to invoke the Kellogg Pact or apply the non-recognition policy in this situation may have been prompted by the acquiescence of the European powers in the annexation. Since the disappearance of Austria terminated its commercial treaties, imports from its former territory no longer receive the benefit of trade agreement concessions.22

In the tension which followed the annexation, the American government uttered warnings to

- 17. New York Times, May 6, 1938.
- 18. Foreign Policy Bulletin, Washington News Letter, February 11, 1938; New York Times, February 1, 1938.
- 19. New York Times, May 15, 1938; New York Herald Tribune, May, 15, 1938.
- 20. Hamburger Fremdenblatt, May 18, 1938; Viktor Bruns, "Die Schuld am Frieden," Zeitschrift der Akademie für Deutsches Recht, November 1, 1937.
- 21. State Department, Press Releases, April 9, 1938, pp. 465 ff.; cf. ibid., March 19, 1938, pp. 374 ff.
- 22. Ibid., April 9, 1938, p. 474.

possible European belligerents against resort to war. On April 13 at Berlin, Ambassador Wilson said: "I know there are some things our nation would fight for. I believe there is a policy under wise leadership to keep the United States out of a great struggle. I admit the danger of our being drawn in; I do not admit the inevitability. . . . It is our most ardent desire to remain at peace with every nation of the world, and we earnestly hope and pray that no nation will make it impossible for us to realize this desire."23 Ambassador Kennedy, also denying the inevitability either of neutrality or of belligerency for the United States in case of war, said at London: "If the nations should again become engulfed in the cataclysm of a general war, we should make ourselves very strong and then pursue whatever course we considered to be best for the United States."24 On May 28, Secretary Hull stated, with clear reference to the tension between Germany and Czechoslovakia, that the Kellogg Pact was still binding on the parties to it.^{24a}

Fresh complications have further aggravated the differences between Germany and the United States. On April 26 Field Marshal Göring, as Commissioner for the Four-Year Plan, issued a decree requiring Jews to declare with certain small exceptions, all property held in Germany. It was explained that this measure was directed toward separating Jews from non-Jews in economic life, making all transactions of Jews known to the government, and preventing private persons from profiting by the "aryanization" of businesses. 25 The decree authorized the commissioner to use the properties so declared "in harmony with the requirements of German economy." The United States government protested emphatically against the application of the decree to property of "American citizens of the Jewish race." It declared that the decree violated American rights under Article 1 of the Treaty of December 8, 1923 to own and use property, to carry on business and to receive protection therein on the same terms as German nationals. "The foregoing provisions respecting rights in one country," it contended, "are applicable to all the nationals of the other country without exceptions based on race or creed."26 As a result of this and other protests, the decree was interpreted on June 20 so as to exempt non-resident foreign Jews from the obligation to report their holdings.27

- 23. Ibid., April 16, 1938, p. 486.
- 24. Ibid., March 19, 1938, p. 389.
- 24a. Ibid., May 28, 1938, p. 619. Cf. also his comment on New York Times editorial, New York Times, June 16, 1938.
- 25. Völkischer Beobachter, April 28, 1938.
- 26. State Department, Press Releases, May 14, 1938, pp. 576-77.
- 27. New York Times, June 21, 1938.

A second problem arose over the export to Germany of helium gas, of which the United States has a practical monopoly. After the destruction of the German dirigible Hindenburg, Congress passed an Act of September 1, 1937, authorizing the National Munitions Control Board and the Secretary of the Interior to license the export of helium gas, and providing further that "export shipments of quantities of helium that are not of military importance as defined in said regulations, and which do not exceed a maximum to be specified therein, may be made under license granted by the Secretary of State without such specific recommendation."28 After the Board and a representative of Mr. Ickes, Secretary of the Interior, had approved a one-year allotment to the German company—implying that the amount was not of military importance—and Secretary Hull had issued the license, Mr. Ickes, as head of the helium plant, decided that the gas had military importance and refused to sign a contract of sale. Although the Board and Secretary Ickes could have issued the license even if the helium had military importance; and although it was reported that all Board members favored the sale and that the army and navy were not opposed, Mr. Ickes remained adamant.²⁹ His stand has been construed as an expression of political opposition to the German government. Since Secretary Ickes' decision cannot be overridden under the law, the apparent purpose of the statute remains unfulfilled.

THE TRADE DEADLOCK

Since 1933, when Hitler came to power, German-American trade has suffered a sharp decline. Although the United States was the chief source of Germany's imports from the late nineteenth century through 1934, the American share of the Reich's foreign purchases dropped from 11.5 per cent in 1933 to 5 per cent in 1937. Whereas Germany took 8.4 per cent of total American exports in 1933, it took only 3.8 in 1937. Its share in total American imports fell from 5.4 in 1933 to 3 per cent in 1937. The main factors in this decline have

- 28. Public, No. 411, 75th Congress, 1st Session.
- 29. New York Herald Tribune, May 12, 1938.
- 30. U.S. EXPORTS TO AND IMPORTS FROM GERMANY (value in thousands of dollars)

	Exports	General Imports
1929	410,449	254,688
1933	140,024	78,185
1934	108,738	68,805
1935	91,981	77,792
1936	101,956	79,679
1937	125,884	92,644

From Bureau of Foreign and Domestic Commerce, Trade of the United States with Germany, Washington, 1938.

been Germany's foreign trade policy and the counter-measures adopted by the United States.^{30a}

The Nazi government's basic aims and its determination to realize them swiftly impelled Dr. Schacht, Minister of Economics, to take drastic foreign trade measures. The program of public works and rearmament demanded a marked increase of imports which could be achieved only through a parallel increase of exports. The service of Germany's large foreign debts also made serious inroads on available foreign exchange. Through farreaching government control over German economic activity, Dr. Schacht found ways both to curtail debt payments and to open foreign markets to German exports. Foreign governments, including the United States, lodged sharp protests against some of these measures and some governments threatened retaliation. The measures are, however, part of a program which has created a trade boom within Germany and which can hardly be abandoned for a considerable period of time at

The first controversies arose over Dr. Schacht's measures toward debts owed to American citizens. Between the acceptance of the Dawes Plan in 1924 and the Hoover moratorium of July 1931, American private investors lent large amounts of capital to the Reich, to states and municipalities, and to private business. A German census of foreign longand short-term obligations on February 29, 1932 showed that of Germany's long-term debts of 10,470 million RM, Americans held 5,165 million; of 10,153 million short-term debts, Americans held 3,227 million. Loans totaling about two billion dollars came from the United States—more than from any other country.³²

On June 9, 1933 the German government declared a transfer moratorium on interest and sinking fund payments on most public and private foreign debts. About a month later, it agreed to exempt the Dawes and Young loans, and to provide for partial payment of interest on other long-term loans, in connection with what amounted to an export subsidy. Holders of these latter bonds had to take half of their interest payments in scrip, non-interest-bearing evidences of debt which they could dispose of in foreign countries only at a discount. The Gold Discount Bank, a subsidiary of the Reichsbank, was obligated to buy scrip at half

³⁰a. The boycott by American Jewish and labor groups which has reduced German exports of consumers' goods to the United States is a secondary factor which should be mentioned.

^{31.} Cf. Hans E. Priester, Das Deutsche Wirtschaftswunder (Amsterdam, Querido Verlag, 1936).

^{32.} Department of Commerce, Commerce Reports, October 15, 1932, p. 48. Much of this capital has since been repatriated.

its face value, thus gaining additional marks with which to subsidize German exporters; while the foreign creditor thus received payment of only 75 per cent of his interest. Late in 1933 the Reichsbank increased the share to be paid in scrip during the next six months. The American and British governments made representations against this decision, and Ambassador Dodd inquired regarding the sums which, despite the moratorium, the Reich had made available for retiring German bonds in the United States.³³ The German government on June 14, 1934 struck another blow at its creditors by declaring a new moratorium on medium and long-term obligations, including the Dawes and Young loans.

Secretary Hull sent a strong protest on June 27 in answer to German explanations. He objected to the increase in American creditors' losses and the discrimination which would result from the Reich's intended settlements with other creditors. "The asserted anxiety of the German government to make every effort to meet its obligations," he said, "cannot be proven by a mere display of its depleted balances, but must be evident from an examination of the whole trend and operation of German policy." The Reich's economic position had, he stated, been affected by the anxiety of other countries regarding its policies. Moreover, the German government had provided foreign exchange for the repatriation of German securities owned abroad and for large foreign purchases of materials for armament. He thus rejected the suggestion that payments could be continued only through increased American purchases from Germany on a bilateral balancing basis.34

The other chief creditor countries—Great Britain, Switzerland, France, Sweden, the Netherlands, Belgium and Italy—all of which had unfavorable trade balances with Germany, threatened to impound these funds. This threat caused the Reich to conclude clearing or payment agreements with them, assuring full payment to their nationals on most loans and improved terms on others. The United States, although the largest creditor, lacked the weapon of an adverse trade balance, and its repeated protests failed to secure similar treatment for its nationals.³⁵

After the annexation of Austria, the German government indicated an intention to apply these policies to the Austrian foreign debts. The Aus-

33. State Department, *Press Releases*, January 6, 1934, p. 2. 34. *Ibid.*, June 30, 1934, pp. 436 ff., 444 ff. In retaliation for the German measures, Congress passed Public Resolution 53 on June 27, suspending remaining payments to German nationals for property sequestered during the war.

35. *Ibid.*, December 1, 1934, pp. 325 ff. Cf. also *ibid.*, July 21, 1934, p. 60; October 13, 1934, p. 248.

trian government owed a debt of \$24,055,708.92 to the American government for flour sold on credit under authority of an Act of Congress of March 20, 1920, and over \$20,000,000 to American private investors. Loans by Americans to provinces, municipalities, and corporations with government guarantee total \$14,124,700; and those to corporations without government guarantee, \$4,027,000.36 Receiving no answer to its note of April 6,37 the United States contended in a note of June o that under the law of state succession Germany was responsible for the Austrian government debts.³⁸ On June 16, Dr. Walther Funk, Schacht's successor as Minister of Economics, denied Germany's legal or moral responsibility for the Austrian state debt, but offered to compromise with the lending countries. Sharply attacking all "political debts" of the postwar period, he demanded that the interest on the Dawes and Young loans be reduced.³⁹

GERMAN EXPORT SUBSIDIES

In his crucial task of increasing Germany's exports, Dr. Schacht was placed at a severe disadvantage by the devaluation of the British, American and other currencies. Since devaluation was politically difficult in Germany, other means had to be found for helping German firms to meet prices of foreign competitors in foreign markets.

Early in 1933 the government sought to encourage "supplementary exports" by releasing blocked marks-foreigners' accounts in Germany which, in consequence of German exchange controls, could not be transferred to foreign currencies. Dr. Schacht permitted foreign buyers of German goods to pay part of the price in these marks, which could naturally be obtained abroad at a considerable discount. Another early procedure involved the repurchase of German dollar bonds covered by transfer moratoria. Upon application by the German exporter, the Reichsbank transmitted to him part of the proceeds of his foreign sale in the form of exchange with which he purchased these bonds abroad at a sharp discount. After the moratorium of July 1933, the scrip which foreign creditors were forced to take as part payment of interest was used in an essentially similar way to cheapen German exports. Accredited exporters were allowed to retain part of the foreign exchange resulting from their foreign sales for the purpose of buying scrip. This scrip, which could be bought from foreign creditors at discounts ranging from 40 to 65 per

^{36.} Cf. Foreign Bondholders Protective Council, Annual Report, 1937.

^{37.} Cf. p. 100. State Department, Press Releases, April 9, 1938, pp. 465 ff.

^{38.} New York Times, June 18, 1938.

^{39.} Ibid., June 17, 1938.

cent, could be redeemed in Germany at par value. 40 The authorities took care that in each transaction, the exporter acquired just enough scrip to recoup his loss in selling below foreign prices. They also examined each proposed exportation under the system to insure that it was "supplementary." According to the American contentions, all these procedures operated to increase German exports at the cost of the foreign creditor. In the summer of 1935 a scheme for subsidizing exporters by contributions from industry as a whole was introduced. Every business enterprise is required to pay a certain percentage of its total sales proceeds into the Exportausgleichkasse. The so-called self-governing organizations fix the amount for each branch. This amount varies from 2 to 6 per cent of the total proceeds, and one informed writer calculated that a fund of 700 to 800 million RM was created during the first year, making possible a general reduction of at least 25 per cent in German export prices.⁴¹ The system is calculated also to evade foreign antidumping laws, because the payments are "contributions" to "autonomous" business associations and the amounts are kept secret. Its effectiveness was demonstrated by an immediate increase in exports which extended through 1937.

A final device for furthering exports is the "Aski" mark, the use of which developed from international commodity barter carried on with rawmaterial-exporting countries. Under this system, the German government allows foreign firms to export goods to Germany and to receive payment into Ausländer Sonderkonten für Inlandszahlungen, i.e., special foreigners' accounts which can be used to purchase German goods. The foreign exporter sells Aski marks to importers of German goods at whatever discount from the official rate of exchange the market in the particular country warrants. The Aski system has played a particularly important rôle in trade with Latin America, especially with Brazil. Since 1936, German exports to Brazil have exceeded those of the United States. Germany's success in Brazil by the use of subsidies has caused Washington to take counter-measures. In an agreement of August 15, 1937 for the purchase of gold from the United States, Brazil promised to cooperate in protecting the Brazilian-American trade agreement "against outside competition that is directly subsidized by governments."42

In 1936 the Treasury Department took action against German subsidies on exports to the United

States. Section 303 of the Tariff Act of 1930 provides that, whenever a foreign government pays a bounty on the manufacture or export of a dutiable product, an equal additional duty shall be imposed on imports of this product from the bounty-paying country. An order of June 4, 1936 imposed countervailing duties on a number of articles imported from Germany.43 In addition to the regular import duties, it required importers to deposit, pending their declarations of the amount of subsidies, sums ranging from 22½ to 56 per cent of the value of the goods. On August 4 a Treasury order was issued removing the duties on some articles because of Germany's promise to cease subsidizing their export.44Three days later the Reich forbade the use of registered marks for American sales,45 and on August 13 it stated that in connection with its exports to this country, the scrip and bond procedure, the payment of bounties, and the use of any German currency other than free gold exchange marks or free inland marks had been stopped.46-47 The remaining countervailing duties were then removed. The withdrawal of the subsidy practically brought German-American trade to a standstill. On December 23, 1936 new procedures were established which have brought improvement.48

GERMAN IMPORT CONTROLS AND THE HULL PROGRAM

Undér Dr. Schacht's "New Plan" of September 1934, the German government assumed control of all imports, in order to secure with its limited foreign exchange the largest possible amounts of foreign raw materials for its armament industry. Supervisory offices were established for different commodities, and every import transaction required official approval. In selecting imports, it followed a policy of bilateral balancing with countries whose trade balance with it was active. This practice was a factor in causing the United States to lose a considerable part of its export trade to Germany. Brazil displaced this country in 1935 and 1937 as the chief supplier of raw cotton, our most important export product to Germany. Similar losses were noted in other products such as copper and petroleum.⁴⁹ The Reich's selection of

^{40.} Cf. Council on Foreign Relations, The United States in World Affairs, 1934-1935 (New York, Harper, 1937), p. 87.
41. Priester, Das Deutsche Wirtschaftswunder, cited, p. 157.

^{42.} Cf. Howard J. Trueblood, "Trade Rivalries in Latin America," Foreign Policy Reports, September 15, 1937, p. 159.

^{43.} Treasury Department, Treasury Decisions, T.D. No. 48360. 44. Ibid., No. 48463.

^{45.} New York Times, August 8, 1936.

^{46-47.} Treasury Department, Treasury Decisions, T.D. No. 48479.

^{48.} German-American Commerce Bulletin (New York), January 1938, p. 8.

^{49.} Cf. Trade of the United States with Germany, prepared by Division of Foreign Trade Statistics and European Section of Division of Regional Information, Bureau of Foreign and Domestic Commerce, Washington, D.C., 1938.

imports according to the condition of its trade balances with other countries also seemed to be in clear conflict with the broad provisions of the mostfavored-nation clause of the Treaty of Friendship, Commerce and Consular Rights of December 8, 1923.50 On October 13, 1934 the German government notified the State Department that it intended to bring about changes in the provisions of Article 7 of the treaty.51-52 On April 24, 1935 Secretary Hull proposed an agreement striking out of Article 7 the paragraphs embodying the unconditional, broad most-favored-nation pledge.⁵³ The new agreement, signed on June 3, leaves each party free to impose on the other treatment less favorable than that granted to third states with respect to both imports and exports.54

By the Hull trade agreements program, the American government has sought to reduce barriers to international trade on the principle of the mostfavored-nation clause. The partners to every trade agreement assure to each other treatment of imports equal to that accorded to any third state.54a To enable the President to secure equality of treatment from other countries, the Trade Agreements Act gives him authority to suspend the application of the trade advantages embodied in agreements to articles of any country "because of its discriminatory treatment of American commerce or because of other acts or policies which in his opinion tend to defeat the purposes set forth" in the Act. 55 If substantial concessions are made in agreements, a refusal to extend them is an effective means of combating discriminations by competing non-agreement countries. On April 1, 1935 the Department of State declared its policy regarding the generalization of concessions. The agreement rates, although temporarily extended to all countries, were to cease in six months as regards Canada, the Netherlands, Spain, Switzerland and Liechtenstein, and as regards Denmark, Germany, Italy and Portugal, in 30 days after notification by the President that existing most-favored-nation obligations with those countries had been terminated.56 The most-favorednation obligations of the German treaty, relating to customs matters, terminated on October 14, 1935, and on October 15 the President directed that the trade agreement duties no longer be applied to im-

50. State Department, Treaty Series, No. 725.

ports from Germany.⁵⁷ The Reich has not ceased discriminating against imports from this country and has remained on the "blacklist" ever since.58 This has brought considerable disadvantages to German exporters. In the agreement with Czechoslovakia of March 7, 1938 the United States granted duty reductions on articles of which it received \$5,-866,000 worth from Germany in 1937.58a Concessions made in previous agreements—especially those with Switzerland, Belgium, Sweden and Franceaffected an even larger part of Germany's exports to this country. The agreement with Britain, if concluded, may hamper imports from Germany still more seriously. On the other hand, it appears that, to a considerable extent, the countries which have trade agreements with the United States—among which are most of Germany's chief customers—now grant to Germany the concessions which they have made to the United States.

Although the German government has offered to begin negotiations for a trade agreement or at least a *modus vivendi*, the Administration has been unwilling to do so. A note of June 28, 1935, in answer to a German proposal of May 24, declared the government's readiness "to negotiate with any country provided that its commercial policies do not in fact impose discriminatory or inequitable conditions upon American commerce and do not arbitrarily divert its trade from this country to other countries." 59

Germany's refusal under its policy of bilateral balancing to allot for imports from the United States an amount of foreign exchange proportionate to the amount used for this in a typical predepression year like 1929, is presumably the main obstacle to an agreement. The American government considers the most-favored-nation clause best adapted to increasing international trade as a whole as well as the strongly triangular American foreign

57. Treasury Department, Treasury Decisions, T.D. No. 47898. 58. On May 23, 1936 the Australian government put provisions in force, whereby imports of a certain list of products from countries with an active trade balance with Australia were made subject to license. Since the United States had such a balance, licenses were granted for American products only upon affidavit that the goods could not be obtained from any country with which Australia had a favorable balance or from another country of the British Empire. Cf. W. S. Culbertson, Reciprocity (New York, McGraw-Hill, 1937), p. 71. On June 26, 1936 the President directed that the trade agreement duties cease to be applied to Australian goods. Cf. Treaty Information Bulletin, No. 81, June 1936, p. 17. Abandonment of this discriminatory system, announced on December 7, 1937, led the American government to restore most-favored-nation treatment to Australia. Cf. Treaty Information Bulletin, No. 100, January 1938, p. 17.

58a. Nachrichten für Aussenhandel, No. 68, March 22, 1938. 59. Summary in State Department, Press Releases, July 20, 1935, p. 75.

^{51-52.} State Department, Press Releases, October 13, 1934, p. 249.

^{53.} Ibid., May 4, 1935, pp. 318 ff.

^{54.} State Department, Treaty Series, No. 897.

⁵⁴a. American preferences to Cuba are excepted.

^{55.} Public Law, No. 316, 73rd Congress, effective June 12, 1934; cf. David H. Popper, "The Hull Trade Program," Foreign Policy Reports, October 15, 1936.

^{56.} State Department, Press Releases, April 6, 1935, pp. 216 ff.

trade, and hence bargains on that basis. 59a Instead of demanding that other states remove import quotas altogether, this country has embodied the clause in various agreements in a form which requires a country to allot such quotas, if any, among exporting countries according to their shares in its imports during a prior "representative period." The German government apparently believes, however, that removal from the American blacklist would not compensate for export losses which it might suffer in other markets by accepting this principle. A Franco victory in Spain may improve Germany's trade position in Latin America and reduce still further its willingness to make concessions to this country. Many Germans, too, consider their policy better adapted to German needs in the long run than the Hull program;60 and their continuing drive to fulfill their raw materials program makes them extremely reluctant to sacrifice present methods. Under these conditions, a regular trade agreement seems impossible in the near future.

A modus vivendi in which the United States would remove Germany provisionally from the blacklist in return for concessions, would seem relatively easy to conclude if the parties wish to make a temporary compromise. The United States has entered into such arrangements with several countries. The Soviet government, which has a foreign trade monopoly, undertook to "increase substantially its purchases" in the United States. 61-62

This kind of concession might prove a simple basis of bargaining between the United States and Germany. Since the German government's control of foreign trade amounts almost to a monopoly, an agreement to purchase a given amount of American goods might, indeed, be preferred by American authorities. In 1935, the German government apparently offered to increase its purchases of American goods by 10% during the following year. Since, however, much of Germany's foreign exchange is pledged to the barter system, and since Germany has made definite progress toward selfsufficiency under the Four-Year Plan, the economic value to the United States of a trade agreement with the Reich is limited. Although the American bargaining position may also grow stronger as more agreements are concluded with other states, the "blacklist" seems hardly effective enough to cause the German government to abandon its essential trade policies.

59a. Cf. F. B. Sayre, America Must Act (Boston, World Peace Foundation, 1936), pp. 41-46.

60. Cf. speech of Dr. Funk, New York Times, June 17, 1938; Dr. Herbert Gross, "Theorie und Wirklichkeit der Amerikanischen Handelspolitik," Wirtschaftsdienst, June 3, 1938.

61-62. Exchange of Notes of August 4, 1937, State Department, Executive Agreement Series, No. 105.

AMERICAN "NAZI" ORGANIZATIONS

The "Nazi" organizations in the United States have been a prolific source of irritation since 1933. Their rabid anti-Semitism, supposed revolutionary aims, and tendency to revive foreign loyalties made them anathema to Americans. Moreover, the Nazi party was slow to set clear limits to its work abroad and to disavow with persuasive vigor the offshoot organizations beyond its control. Much confusion and suspicion have therefore existed concerning its actual aims abroad.

The National Socialist revolution gave a powerful impulse to the work of cultivating relations with Germans living abroad. Regular short-wave broadcasts and the organization of foreign party units began shortly after Hitler's accession to power.

In this work the German government does not, as is sometimes alleged, assert authority over foreigners. The Nationality Law of July 22, 1913 provides for the loss of German nationality by any German not permanently resident in the Reich who acquires a foreign nationality. 63-64 Moreover, the Reich is bound by treaty to recognize the loss of German nationality by Germans who are naturalized in the United States. 65

In its dealings with "Germans" abroad, the Nazi government and party respects the distinction between nationals of foreign states and German nationals. While seeking to maintain merely cultural contacts with German-speaking persons of foreign nationality through the Volksbund für das Deutschtum im Ausland, it asserts a broad power of supervision and control over German nationals.

The chief agent for Germanism abroad is the Foreign Organization of the National Socialist party (Auslandsorganisation der N.S.D.A.P.). It has the status of a Gau, or district, of the party, under the leadership of Ernst Wilhelm Bohle, and includes all party members who either reside abroad or are seamen. It admits only German citizens as members, and organizes them into national and local units in the countries where they live. Since early in 1937 its activity has been closely coordinated with German diplomacy. Bohle enjoys Cabinet rank, and has been installed with his staff in the Foreign Office. 66 So-called "cultural attachés" have been sent to some German embassies and legations.

63-64. Section 25; cf. Richard W. Flournoy and Manley O. Hudson, *A Collection of Nationality Laws* (New York, Oxford University Press, 1929), p. 310.

65. Article 278 of the Treaty of Versailles, rights under which were secured to the United States through the Treaty of Berlin, Malloy, *Treaties Conventions*, etc., cited, Vol. 3, p. 2596. 66. New York Times, February 3, 1937.

At its annual congress in 1937 the then Foreign Minister von Neurath called the incorporation of the Auslandsorganisation in the Foreign Office "a guarantee that the principles . . . laid down by the competent agencies at home for the cultivation of Germanism abroad will be kept within the limits prescribed by me and will be exactly respected abroad by the German organizations themselves."67 He declared that while the Reich would not transgress the customary rules regarding the rights of foreigners, it would not permit any foreign government to place unusual restrictions on Germans abroad because of their National Socialist views. The firm ties between the Reich and the foreign Germans were constantly stressed and the audience was enjoined to remain German and to act as outposts of National Socialism abroad.⁶⁸ These exhortations, addressed to German citizens who resided abroad, were phrased so broadly as to arouse uncertainty in the United States and other foreign countries regarding the German government's aims.

Although critics assert that the A.O. foments Nazi uprisings abroad, the party denies this and the charge apparently remains so far unproved. Instead, the A.O. arranges for the voting of German citizens abroad in the plebiscites; collects contributions to Reich charities;⁶⁹ organizes national festivals; stimulates connections between foreign Germans and the homeland; facilitates the enforcement of the laws imposing duties of military and labor service and of reporting at consulates; and spreads pro-German propaganda.

On the Nazi theory that "blood affinity" induces a group loyalty which overrides every other, the potential field for National Socialist activity in the United States would seem very large. By 1900 over five million Germans had reached American shores. The census of 1930 recorded about 1,980,000 persons born in Germany or Austria—the largest foreign-born element. Of these, however, 1,367,000—about 69 per cent—were known to be citizens; 190,500 had first papers and 344,000 had taken no steps toward acquiring citizenship. Doubtless the proportion of citizens has increased since 1930.

- 67. Völkischer Beobachter, August 30, 1937.
- 68. Cf. New York Times, September 1, 1937.
- 69. Cf. Der Deutsche im Auslande (Hamburg), February 1, 1936, p. 66.
- 70. A. B. Faust, The German Element in the United States (New York, The Steuben Society of America, 1927; 3rd American ed.), Vol. I, p. 581.
- 71. The Thirteenth Census of the United States, Vol. II, pp. 225, 264, 342.
- 72. Ibid., p. 403.

The marked tendency of German-Americans to become assimilated has long been the despair of German enthusiasts for the maintenance of das Deutschtum im Ausland.⁷³ German-Americans have adapted themselves quickly to American life, have cultivated their original language to a relatively small degree, and have a comparatively weak sense of identity with German culture elsewhere in the world. Their tendency to become assimilated is one of the qualities which has caused them to be regarded in the United States as ideal immigrants.

Officially, the Nazi party had a brief existence in the United States from September 1932 to April 1933 under the leadership of Heinz Spanknoebel and Kurt G. W. Lüdecke.⁷⁴ By the middle of April 1933, however, the unit had stirred up such opposition in America that German officials dissolved it.⁷⁵⁻⁷⁶ No party unit has existed here since.

In July 1933 Spanknoebel returned from Germany to rebuild the organization on a slightly different basis. At a convention of former party members at Chicago during that month the Bund, Friends of the New Germany, was established.⁷⁷ The Friends apparently obtained veiled support from German party officials and included a number of German citizens in their membership. Spanknoebel then tried to coordinate the German language press in his movement's interest. He took over "by intimidation and without compensation" small Nazi-inclined newspaper called Die Bruecke, and renamed it Das Neue Deutschland, financing it "largely by subsidies under the guise of advertisements granted him by the German steamship companies as well as the German railways."78 He claimed the exclusive support of the German National Socialist party and closed a rival Nazi paper.⁷⁹ Displaying letters from Bohle and Dr. Ley, head of the German Labor Front, authorizing him to control German language newspapers as their representative, he demanded that the leading German language newspaper in the United States, the New Yorker Staats-Zeitung und Herold,

- 73. J. Eiselmeier, Das Deutschtum im Angloamerika (Berlin, 1926); Heinz Kloss, Um die Einigung des Deutschamerikanertums (Berlin, 1937); Kuno Francke, Deutsche Arbeit in Amerika (Leipzig, 1930).
- 74. Cf. Deutscher Beobachter, supplement to Amerika's Deutsche Post, February 1933; Kurt G. W. Lüdecke, I Knew Hitler (New York, Scribners, 1937), p. 530.
- 75-76. New York Times, April 27, 1933; Lüdecke, I Knew Hitler, cited, pp. 410, 429; cf. also his testimony before the Dickstein committee, Public Hearings Before the Special Committee on un-American Activities, House of Representatives, 73rd Congress, 2nd Session, No. 173, New York, No. 12, p. 99.
- 77. Testimony of Fritz Gissibl, Hearings, cited, No. 73-D.C.-4, pp. 75-77.
- 78. Cf. Report No. 153, 74th Congress, 1st session, House of Representatives, p. 4.
- 79. Hearings, cited, No. 73-N.Y.-7, pp. 22, 8.

adopt an editorial policy more favorable to the German government.⁸⁰ He gained control of the United German Societies for a time, and exercised considerable influence among other established German-American organizations. On October 27, 1933 a Federal grand jury indicted him under a wartime statute for acting as the representative of a foreign government without registering as such with the Secretary of State. Immediately before the return of the indictment to the court, he fled, or was taken, to Germany.⁸¹ Even before his departure, however, German party officials had ordered him to withdraw from the *Friends*, and Dr. Goebbels denied that he held any commission from the German government or party.⁸²

Early in 1934, Bohle ordered party members in the United States to retire from the *Friends*; the order was apparently approved informally by Ambassador Dodd and circulated by the organization. In March 1934 the House of Representatives provided for an investigation of Nazi and other foreign propaganda.⁸³ The *Friends* elected a naturalized American as their new leader and announced their intention to recruit only American citizens as members.⁸⁴ Consul General Borchers denied any connection between the *Friends* and the National Socialist party or the German government, and stated that there were only a few hundred individual party members in the United States.⁸⁵

Evidence taken by the Dickstein committee seemed clearly to indicate at least informal relations between the *Friends* and party officials in Germany. Contacts apparently existed through party officials on German vessels, through a representative of the *Friends* in Germany, and through correspondence. ⁸⁶ The *Friends* had practically all the details of orthodox Nazi party organization, including Storm Troops, which were renamed the *Ordnungsdienst*, although their nature remained the same. ⁸⁷ Its press made considerable use of eulogistic "boiler plate" material provided free, or at small cost, from Germany.

In October 1935 the National Socialist party took more drastic steps than hitherto to make clear its divorce from the *Friends*. Rudolf Hess, Hitler's

80. The demand was refused. Cf. Hearings, cited, No. 73-N.Y.-7, p. 112.

- 81. Hearings, cited, No. 73-N.Y.-12, p. 13.
- 82. Ibid., p. 45; New York Times, October 26, 1933.
- 83. H.R. 198, 73rd Congress, 2nd session, House of Representatives; cf. also Report No. 153.
- 84. New York Times, March 28, 1934.
- 85. Ibid., March 31, 1934.
- 86. Hearings, cited, No. 73-N.Y.-12, pp. 47, 10-11, 27, 19.
- 87. Ibid., pp. 9, 15 ff., 25, 27.

deputy, ordered German citizens in the United States to give up all political activity and membership in any politically active organizations by December 31, 1935.88 It was estimated that this measure robbed the Friends of about a third of their members. Gissibl, the leader, who had only first citizenship papers, was replaced by Fritz Kuhn, a naturalized citizen living in Detroit. Shortly after, Kuhn changed the name of the organization to German American Bund. The Bund has assumed the rôle of an "American" political group which, like the German National Socialists, is anti-Semitic, anti-communist, and strongly in favor of all policies of the Hitler government. It seems to have affiliations with a large number of "patriotic" and especially anti-Semitic American organizations.89 Its weekly paper, the Deutscher Weckruf und Beobachter, appears in New York, Philadelphia, Chicago and San Francisco, and consists largely of diatribes against Jews and defenses of German policy. It seeks to instill National Socialist principles in German-American youth,90 and its business subsidiaries foster buying from German stores. It now has 22 camps, at some of which visitors have reported that military drill takes place and that a "Nazi" atmosphere prevails.90a Until May, 1937 at least, the Bund allegedly required an oath to Hitler from its members. 90b Early in 1938, Ambassador Dieckhoff notified Secretary Hull again of Hitler's order that German citizens stay out of the Bund and all other political organizations.91

The membership of the Friends of the New Germany and the Bund has always been extremely small. In 1934 its leaders testified that the organization had from 4,000 to 5,000 members. In March 1935 leader Schnuch announced that the number had risen to 7,500. After the withdrawal of German citizens at the end of 1935, Kuhn claimed only 5,000. Although both Congressman Dickstein and Kuhn have spoken of 200,000, the Bund is reported to have submitted a figure of 8,300 to the Department of Justice, and the Department has given its own estimate of 6,600 to 8,500. Various German-American sources have estimated the Bund membership in New York City at only 2,200 to 3,000.

- 88. New York Times, December 25, 1935.
- 89. Brooklyn Daily Eagle, March 23, April 4, 5, 1938.
- 90. Ibid., March 27, 1938.
- 90a. Ibid., March 26, 1938; New York Journal and American, April 22, May 10, 1938.
- 90b. New York Times, July 7, 1938.
- 91. Ibid., March 1, 1938.
- 92. *Ibid.*, January 12, 1938; *New York Post*, April 28, 1938. Naturally, a considerably larger number of persons participate in the *Bund's* activities.

As a result of various charges of disloyal or un-American acts by the Bund, the Federal Bureau of Investigation of the Department of Justice made a careful investigation in the latter part of 1937. It has apparently not found evidence adequate to sustain criminal indictments under Federal statutes. 93-94 Congressman Dickstein's campaign against the Bund has resulted in some legislative action. On May 26, 1938 the House of Representatives passed the Dies resolution providing for another investigation.95 Sponsors of the bill seemed to expect the committee to find evidence of more Nazi propaganda through the Bund or otherwise, than has so far come to light. Congress also passed an Act requiring persons engaged in propaganda in behalf of any foreign government to register with the Secretary of State.96 Other bills have been introduced, which aim to prohibit military drilling by private organizations.

During 1934 and 1935 Nazi elements achieved considerable influence in the large German-American societies. Since then, the Nazi tide has ebbed, and the great majority of their members disapproves of the boisterous tactics and Nazi ideology of the Bund. No question has been raised at any time as to the complete loyalty of these and nearly all other German-American societies to the United States and its system of government. Just as other foreign-born groups support the countries of their birth, however, these societies generally defend the policies of the Reich, and oppose the

It seems clear that neither the Bund nor its predecessor has ever attained real importance. By confronting the American public with a miniature fascist "menace," indeed, they have probably hampered the efforts of the German government to win American good-will. Having failed in its aim to unify the German-American societies on National Socialist principles, the Bund is today merely a small dissident element. Some observers believe that the spotlight constantly thrown on it by hostile politicians and newspapers now constitutes its only strength. It was the hostility of Americans to the "movement," however, which apparently caused German party leaders to drop all support of it.

CONCLUSION

The impact of Nazi ideology and politics on American opinion has generated a strong antagon-

93-94. New York Times, January 12, 1938. On June 20, 1938, however, a federal grand jury indicted Dr. Ignatz T. Griebl, a former leader of the Friends, and 17. other persons, for espion-95. H.Res. 282, 75th Congress, 3rd session.

96. H.R. 1591, 75th Congress, 3rd session.

ism in this country toward the Third Reich. In this charged atmosphere relatively minor issues assume the importance of crises. The German government has practically eliminated one such issue—Nazi agitation in the United States—as an intergovernmental problem by disbanding Nazi party units and forbidding its citizens to join American political organizations. Outstanding questions regarding the conduct of a relatively small number of American citizens in the United States—their pseudo-military activities, foreign sympathies, and anti-Semitic agitation—are matters of American domestic policy.

The mutual discriminations practiced under the conflicting foreign trade policies of Germany and the United States have caused a sharp decline of trade between the two countries since 1934. The two governments are still reluctant to effect a compromise, since each is committed to a trade policy which it believes best adapted to its interests. Moreover, the United States has, not unnaturally, decided to negotiate with countries having trade policies similar to its own before dealing with Germany. For some time to come, the only possible agreement seems to be a special modus vivendi which, though leaving broad issues of trade policy unsettled, might bring moderate trade gains to both countries.

The Third Reich's expansionist drive has also raised serious problems in German-American relations. Confronted with the combined threats of Japan, Germany and Italy to their neighbors, the American government has moved away from its "isolationist" policy and has taken an increasingly strong stand against attempts to achieve expansion through war or threat of war. So far, this new policy does not go beyond outspoken opposition to aggression, a vigorous defense of every American right which may be threatened, "parallel action" with like-minded governments, and warnings that the United States might not remain neutral in case of war. The United States is unwilling to play an active rôle in European politics generally—either to take a stand in advance against possible military attack or to involve itself in negotiations for a European settlement to avoid war. At the same time, the anti-Nazi temper of American opinion makes American intervention against the Reich in a prolonged European war distinctly possible. Since the United States seems unwilling either to remain completely aloof from European affairs or to take an active part in them, genuine improvement in Gerage after Dr. Griebl had fled to Germany. Ibid., June 21, 1938. man-American relations apparently depends on the peaceful settlement of existing disputes between the Reich and its neighbors.